

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of property development, investment and money lending business in Hong Kong, other regions in the People's Republic of China (the "PRC") and the United Kingdom. During the year, the Company acquired a subsidiary which is engaged in generation and supply of electricity in the PRC.

The Group's turnover and loss from operations for the year ended 31st March, 2001 analysed by principal activity and geographical market were set out in note 3 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and principal associates at 31st March, 2001 are set out in notes 42 and 16 to the financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 15.

No interim dividend was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 28 to the financial statements.

Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31st March, 2001, the Company's reserves available for distribution in accordance with The Companies Act 1981 of Bermuda (as amended) consist of contributed surplus of HK\$187,193,000 and retained profits of HK\$221,892,000.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 58 of the annual report.

INVESTMENT PROPERTIES

During the year, the Group transferred investment properties at carrying value of HK\$56,500,000 to properties under development. The Group's investment properties were revalued at the year end date. The deficit of HK\$12,455,000 arising on the revaluation has been dealt with in reserves.

Directors' Report (continued)

INVESTMENT PROPERTIES (continued)

Details of these and other movements during the year in investment properties of the Group are set out in note 10 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at the year end date. The deficit of HK\$485,000 arising on the revaluation has been dealt with in reserves and the income statement.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 11 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2001 are set out on pages 59 to 64 of the annual report.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in notes 25 and 26 to the financial statements, respectively.

BORROWINGS AND INTEREST CAPITALISED

Details of bank borrowings and convertible debentures of the Group and the Company are set out in notes 22 and 23 to the financial statements, respectively.

Interest capitalised by the Group during the year in respect of properties under development amounted to HK\$49,374,000.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Tai Kuen, S.B.S., J.P. (Chairman)
Mr. Tai Chi Wah (Managing Director)
Mr. Poon Chi Fai, J.P.
Mr. Tai Yiu Wah, Robert
Madam Tai Seow Yoke Peng
Mr. Charles Arthur Alan Nicol, O.B.E., A.M.N.

Independent non-executive directors:

Mr. Wan Tai Min, Tommy
Mr. Wong Po Lung, John
Mr. Liu Chun Ning, Wilfred

In accordance with Clauses 86(2) and 87 of the Company's Bye-laws, Madam Tai Seow Yoke Peng, Mr. Charles Arthur Alan Nicol, O.B.E., A.M.N. and Mr. Liu Chun Ning, Wilfred retire and, being eligible, offer themselves for re-election. All remaining directors continue in office.

The terms of office of independent non-executive directors are subject to retirement by rotation in accordance with the Company's Bye-laws.

Directors' Report (continued)

DIRECTORS (continued)

No director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance") and in the warrants of the Company were as follows:

Name of director	*Shares/ Warrants	Number of shares and warrants held			
		Personal interests	Family interests	Corporate interests	Other interests
Mr. Tai Kuen, S.B.S., J.P.	S	1,518,000	–	–	–
	W	139,533	–	–	–
Mr. Tai Chi Wah (Notes i & ii)	S	4,030,000	–	397,351,556	–
	W	313,444	–	19,057,375	–
Mr. Poon Chi Fai, J.P.	S	120,000	–	–	–
	W	11,030	–	–	–
Mr. Tai Yiu Wah, Robert	S	454,000	–	–	–
	W	41,730	–	–	–
Madam Tai Seow Yoke Peng (Notes i & iii)	S	1,490,000	324,229,556	–	–
	W	136,959	13,119,395	–	–
Mr. Charles Arthur Alan Nicol, O.B.E., A.M.N.	S	160,000	–	–	–
	W	–	–	–	–
Mr. Wan Tai Min, Tommy	S	120,000	–	–	–
	W	11,030	–	–	–
Mr. Wong Po Lung, John	S	310,000	–	–	–
	W	28,494	–	–	–
Mr. Liu Chun Ning, Wilfred	S	–	–	–	–
	W	–	–	–	–

* S – shares of HK\$0.10 each
W – 2001 warrants

Notes:

- (i) 244,427,556 shares and 6,874,777 "2001 warrants" are held through Questrole Profits Limited ("Questrole Profits"), a company incorporated in the British Virgin Islands. Questrole Profits is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and the spouse of Madam Tai Seow Yoke Peng and their respective family members.

Directors' Report (continued)

DIRECTORS' INTERESTS IN SECURITIES (continued)

- (ii) 152,924,000 shares and 12,182,598 "2001 warrants" are held through Propertyline Properties Limited ("Propertyline"), a company incorporated in the British Virgin Islands. Propertyline is beneficially owned by a discretionary trust, the discretionary objects of which include Mr. Tai Chi Wah and his family members.
- (iii) 79,802,000 shares and 6,244,618 "2001 warrants" are held by Oodless Investment Limited, a company incorporated in Hong Kong and beneficially owned by the spouse of Madam Tai Seow Yoke Peng as to 99.99% and by her as to 0.01%.

Other than as disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Company or its subsidiaries, none of the directors or chief executives, or their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees of the Company or its subsidiaries, including directors of any of such companies, to subscribe for shares in the Company. Details of the share option scheme are set out in note 27 to the financial statements. No option had been granted under this scheme since its adoption.

Save as aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 3,520,000 shares of HK\$0.10 each in the share capital of the Company, all of which were then cancelled, at an aggregate price of HK\$2,998,000. Details of the aforesaid repurchases are set out in note 25 to the financial statements. The directors considered that, as the Company's shares were trading at a relative low price per share and did not reflect the underlying value of the shares, the above mentioned share repurchases would be appropriate and beneficial to the Company.

Save as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) During the year, the Group paid architectural fees and professional service fees with an aggregate amount of HK\$2,333,000 to Wong & Tai Associates Architects in which Messrs. Tai Chi Wah and Wong Po Lung, John are partners.
- (b) During the year, the Group received property rental income amounting to HK\$5,980,000 from Gold-Face (Restaurant Group) Limited, a company wholly-owned by Questrole Profits.

In the opinion of the independent non-executive directors, the transactions with Wong & Tai Associates Architects and Gold-Face (Restaurant Group) Limited referred to above were carried out in the usual course of business and on normal commercial terms.

Save as aforesaid, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report (continued)

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the following shareholder had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of shares	%
Value Consultants Limited	131,697,600	14.12

Other than as disclosed above and under directors' interest in securities, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2001.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$202,000.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 41 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Tai Chi Wah

Managing Director

17th July, 2001